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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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CONTENTS

SUMMARY

A substantial increase in farm production this year is in prospect, if weather continues favorable. The volume of agricultural production for sale and home consumption in 1951 may reach a new record. Most of the gain is expected from crops. A small increase in output of livestock and livestock products is also expected, mainly because of large hog and poultry production. In view of the large production in prospect, prices received by farmers probably will not change much during the next few months. Under the recently amended Defense Production Act, price control standards for farm products generally will be about the same as those in effect during the last few months. However, a provision of the amended Act prevents the beef and cattle price rollbacks that had been scheduled for August 1 and October 1.

Item	Unit or base period	1950 Year	1950 June	1951 Mar.	1951 Apr.	1951 May	1951 June
Industrial production 1/							
Total	1935-39=100	200	199	222	223	223	222
All manufactures	do.	209	208	234	234	233	232
Durable goods	do.	237	237	277	278	276	276
Nondurable goods	do.	187	184	199	198	198	197
Minerals	do.	148	151	158	164	165	167
Construction activity 1/							
Contracts, total	1935-39=100	514	507	530	650	629	660
Contracts, residential	do.	748	797	716	694	676	723
Wholesale prices 2/							
All commodities	1926=100	162	157	184	184	183	182
All commodities except farm and food	do.	153	149	172	172	172	170
Farm products	do.	170	166	204	202	200	199
Food	do.	166	162	187	186	187	186
Prices received and paid by farmers 3/							
Prices received, all products	1910-14=100	256	247	311	309	305	301
Prices paid, interest, taxes and wage rates	do.	255	254	280	283	283	283
Parity ratio	do.	100	97	111	109	108	106
Consumers' price 2/ 4/							
Total	1935-39=100	172	170	184	185	185	185
Food	do.	204	203	226	226	227	227
Nonfood	do.	154	152	163	163	164	164
Income							
Nonagricultural payments 5/	Bil. dol.	206.6	202.6	225.2	227.8	228.1	
Income of industrial workers 3/	1935-39=100	369	362	425	425	424	
Production worker pay rolls 2/	do.	396	386	463	461	456	
Weekly earnings of factory workers 2/							
All manufacturing	Dollars	59.23	58.85	64.57	64.74	64.55	65.44
Durable goods	do.	63.19	62.86	69.26	69.76	69.39	70.60
Nondurable goods	do.	54.66	53.92	58.55	58.20	58.01	58.63
Employment							
Total civilian 6/	Millions	60.0	61.5	60.2	60.0	61.2	61.8
Nonagricultural 6/	do.	52.4	52.4	53.8	53.4	53.8	53.8
Agricultural 6/	do.	7.5	9.0	6.4	6.6	7.4	8.0
Government finance (Federal) 7/							
Income, cash operating	Mil. dol.	3,538	4,687	8,489	2,960	4,148	
Outgo, cash operating	do.	3,497	4,061	4,219	4,144	5,154	
Net cash operating income or outgo	do.	+ 40	+ 626	+4,270	-1,184	-1,006	

Annual data for the years 1929-49 appear on page 32 of the April 1951 issue of The Demand and Price Situation.

Sources:

1/ Federal Reserve Board, construction activity converted to 1935-39 base.

2/ U. S. Department of Labor, Bureau of Labor Statistics.

3/ U. S. Department of Agriculture, Bureau of Agricultural Economics, to convert prices received and prices paid, interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively.

4/ Consumers' price index for moderate-income families in large cities.

5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates.

6/ U. S. Department of Commerce, Bureau of the Census.

7/ U. S. Department of Treasury. Data for 1950 are on average monthly basis.

Recent declines in prices received by farmers for some commodities are reflecting the record output in prospect for 1951. The index of prices received by farmers in mid-July was 294 percent of the 1910-14 average. This continued the monthly decline from the February peak of 313. Reductions were general among the crop groups. The index of livestock and livestock product prices was down 1 percent with lower prices for meat animals and wool more than offsetting increases for dairy products and poultry and eggs. The index of prices paid by farmers including interest, taxes and wage rates continued at the revised mid-June level of 282 percent of the 1910-14 average. The decline in prices received by farmers from mid-June to mid-July resulted in a 3 point reduction in the parity ratio to 104. In July last year, the ratio was 103.

With some easing in consumer demand in recent months, wholesale prices in general have declined slightly and inventory accumulations have been substantial for both retailers and manufacturers. However, general economic activity continues at record levels. The gross output of the economy in terms of current prices was at an annual rate of 329 billion dollars in the second quarter of this year and personal disposable income increased about 4 billion dollars to an annual rate of 223 billion in the second quarter.

Cease fire negotiations in Korea and the possibility of an easing of international tensions add an element of some uncertainty to economic prospects, particularly as they may affect consumer and business expectations. Nevertheless, substantial backlogs of defense orders exist. Business intentions to invest in plant and equipment in the third quarter approximate an annual rate near that of the second quarter. As a result, plant and equipment expenditures in the first nine months of the year may average 40 percent above the same period last year. If these anticipated capital outlays are realized, it appears that plant and equipment expenditures for the year will exceed the previous estimate of 23.9 billion dollars for 1951. Such increases coupled with a backlog of defense orders should provide continued underlying support of general business activity.

<u>Commodity Highlights</u>

<u>Pork</u> production during the second half of this year is expected to be between 5 and 10 percent greater than in the same period in 1950. <u>Cattle</u> slaughter in the last six months of 1951 may nearly equal that of a year ago. For the entire year 1951, <u>milk</u> production probably will total about 120 billion pounds, compared with 120.6 billion in 1950. For the remainder of this year, monthly <u>egg</u> production is likely to exceed that in the same period in 1950. However, demand is expected to be much stronger than in 1950 and egg prices are likely to continue above a year ago. Production of <u>primary food fats and oils</u>, except butter, is likely to be somewhat greater in the second half of 1951 than in the same period last year. Another large supply of <u>feed</u> is in prospect for the 1951-52 feeding season. Demand for all feeds is expected to be strong in 1951-52, and the total quantity fed to livestock probably will be the heaviest since the record high of World War II. Prices of feed grains probably will average higher in 1951-52 than in 1950-51. Grower prices for

deciduous fruits in August and September are expected to be at about the levels of a year earlier. Grower prices for citrus fruits are not expected to average quite as high this summer as last. Prices received by growers for tomatoes, sweet corn and snap beans this summer are expected to average lower than last summer. On the other hand, grower prices for lettuce, cabbage, and cantaloups are likely to be higher. Retail prices of canned and frozen vegetables of the 1951 pack may be generally higher than those for the 1950 pack. Farmers are likely to receive somewhat higher prices for 1951 crop potatoes than for the 1950 crop. Large domestic and export requirements of flue-cured tobacco are expected to result in a continued strong demand.

GROSS NATIONAL PRODUCT

Gross national product (the total value of the nation's output of goods and services at current prices) is estimated at an annual rate of 329 billion dollars for the second quarter, about 10-1/2 billion dollars above the first quarter of 1951. The second quarter gross national product compares with 304 billion for the fourth quarter, 1950 and 283 billion for the year 1950.

The rise in Federal expenditures for national defense was the primary source of this expansion. Since the level of prices for all goods and services was up very slightly from the first to the second quarter, most of the 3 percent gain in the gross product represented increased output. Around one-half of the 16 percent gain in the gross product of the economy from 1950 to the second quarter of this year was due to increased output, the remainder representing higher prices.

Consumer expenditures for goods and services declined from the first to the second quarter, mostly as a result of lower expenditures for consumer durable goods. However, nondurable goods expenditures also declined slightly, while total outlays for services rose a little. In recent months there has been a decline in demand for consumer goods, an increase in inventories of most goods and a reduction in output of consumer durable goods. The evident weakening in consumer demand may be largely due to the advance buying which occurred in mid-1950 and early 1951, continued availability of most goods, favorable developments in the conflict in Korea, tighter controls on the expansion of consumer credit, and anticipations of further weakening of prices for many consumer goods.

The controlled materials plan which became effective on July 1 provides for further reductions in the third and fourth quarter output of most consumer durable goods manufactured from steel, aluminum and copper. For example, third quarter output of automobiles may be limited to about 1.2 million units which is more than one-third lower than for the same quarter a year ago and about one-fourth below the first quarter rate of output this year.

The increase in <u>gross private domestic investment</u> expenditures from the first to the second quarter of this year was largely due to an increase in business inventories. Inventory accumulation in the second quarter, at 14 billion dollars, was substantially above the rates for the fourth quarter of 1950 and the first quarter of 1951. Inventories of both manufacturers and retailers increased in the second quarter. Part of the increase at the retail level was probably involuntary as sales eased off. The accumulation at the manufacturers level was associated primarily with expanding requirements for the defense program.

Expenditures for new construction were down a little from the first quarter annual rate, the decline in residential construction more than offsetting some increase in private industrial and public construction. Expenditures for producers' durable equipment continued to rise in the second quarter.

A recent survey of business indicated that planned expenditures for plant and equipment in the third quarter are at an annual rate of about 26 billion dollars, which is near the second quarter rate. These figures indicate an upward adjustment of planned expenditures from those planned earlier this year. For the first 9 months of this year planned investment by business in plant and equipment may total over 40 percent above the corresponding period last year. Earlier indications for 1951 were about 30 percent above last year. If currently anticipated capital outlays are realized it appears that plant and equipment expenditures will exceed the previous estimate of 23.9 billion dollars for 1951. Such an increase would provide continued support to general business conditions and would substantially expand productive capacity. A peaceful settlement in Korea and some easing in international tensions may moderate business investment plans. Moreover, there is some question as to whether machine tool output will be adequate to meet investment demand indicated by business intentions.

<u>Government expenditures</u> for defense were the dominant influence in the continued rise in total economic activity from the first to the second quarter. These expenditures increased from an annual rate of about 25 billion dollars in the first quarter of this year to approximately 33 billion in the second quarter. This increase and the further expansion in plant and equipment expenditures more than offset the decline in consumer expenditures, resulting in a gain of about 3 percent in the gross national product from the first to second quarter. The mid-year report of the Director of Defense Mobilization indicated that the load of military production being carried by the economy will increase steadily over the next 12 months.

Table 1.- Gross national product, annual 1950 and second quarter 1950 to 2nd quarter 1951, seasonally adjusted at annual rates

(Billions of dollars)

Component	1950 Year	1950 2nd Quarter	1950 3rd Quarter	1950 4th Quarter	1951 1st Quarter	1951 2nd Quarter 1/
Gross national product.........	282.6	275.0	287.4	303.7	318.5	329.0
Personal consumption expenditures....................	193.6	188.7	202.5	198.4	208.2	203.0
Durable goods..............	29.2	26.6	34.3	29.4	31.5	27.0
Nondurable goods...........	102.3	100.4	105.5	104.9	111.5	110.0
Services...................	62.1	61.6	62.7	64.0	65.2	66.0
Gross private domestic investment..................	48.9	47.9	47.3	60.2	59.6	64.0
New construction............	22.1	21.3	23.4	23.3	23.9	22.2
Producers' durable equipment.	22.4	21.4	24.5	25.0	26.5	27.5
Change in business inventories............	4.3	5.1	- .7	11.8	9.3	14.3
Net foreign investment.........	- 2.3	- 1.6	- 3.2	- 2.7	- 2.3	.5
Government purchases of goods and services.........	42.5	40.1	40.8	47.8	52.9	61.5
Federal.....................	22.8	20.9	21.1	27.4	31.8	40.1
State and local..............	19.7	19.2	19.7	20.4	21.1	21.4

U. S. Department of Commerce. Second Quarter 1951 estimates by the Council of Economic Advisers.
Details will not necessarily add to totals because of rounding.
1/ Preliminary.

FOREIGN TRANSACTIONS OF THE UNITED STATES

The 1950 trends in United States transactions with foreign countries have for the most part continued in the first quarter of 1951. From the last quarter of 1950 to the first quarter of 1951 the rise in imports of goods and services was somewhat greater than the rise in exports, the export surplus falling from an annual rate of 2.5 to 2.3 billion dollars. The value of exports of goods and services increased by 7.2 percent, about half of which was due to larger volume. Most of the rise of about 10 percent in the value of imports was due to a rise in prices. Only about one-fourth of the rise was due to a larger volume.

Table 2.- Financing of United States exports of goods and services in specified periods

(Billions of dollars)

Period	U. S. exports of goods and services	Means of financing: U. S. imports of goods and services	Sale of gold and short-and long-term dollar assets by foreign countries (Net)	U. S. Government foreign grants and loans (Net)	Other sources and balancing item 1/ (Net)
	(1)	(2)	(3)	(4)	(5)
1935-39 annual average	4.0	3.4	1.1	2/ (-) 0.1	(-) 0.4
1946	14.7	7.0	1.9	5.0	0.8
1947	19.8	8.3	4.5	5.8	1.2
1948	17.0	10.3	0.8	5.0	0.8
1949					
1st qtr. (ann. rate)	17.4	10.1	(-)0.1	6.7	0.7
2nd qtr. (ann. rate)	17.6	9.5	1.4	6.7	0
3rd qtr. (ann. rate)	14.8	9.3	0.3	5.9	(-) 0.7
4th qtr. (ann. rate)	14.0	9.5	(-)1.9	4.6	1.8
Total..............	16.0	9.6	(-)0.1	6.0	0.5
1950					
1st qtr. (ann. rate)	13.0	10.1	(-)1.8	4.4	0.3
2nd qtr. (ann. rate)	14.1	10.8	(-)2.7	4.6	1.4
3rd qtr. (ann. rate)	14.0	13.5	(-)6.2	3.6	3.1
4th qtr. (ann. rate)	16.6	14.1	(-)3.9	4.5	1.9
Total..............	14.4	12.1	(-)3.6	3/ 4.3	1.6
1951					
1st qtr. (ann. rate)	17.8	15.5	(-)3.0	4.4	0.9

1/ Includes loans of U. S. dollars by the international Bank and by the International Monetary Fund. In 1949 these loans totaled 137 million dollars. In 1950 they totaled 17 million dollars. Private remittances and investments abroad are also included except in the 1935-39 average.

2/ Includes private loans and remittances to foreigners which in other periods are in column 5.

3/ Includes 2.7 in ERP grants, 0.5 in grants for Government relief in occupied areas and 0.5 for the Mutual Defense Assistance program.

Foreign gold and dollar holdings (not including those in the International Bank and the International Monetary Fund) increased at an annual rate of $3.0 billion in the first quarter of 1951 compared with an annual rate of 3.9 billion in the last quarter of 1950 (Col. 3 table 2). The decline in the rate of accumulation of gold and dollar holdings by foreign countries began in the fourth quarter of 1950. Despite the decline in the rate, the continued accumulation of gold and dollar assets by

foreign countries indicates an increase in their ability to buy goods and services from the United States. The increase in foreign holdings of gold and dollar assets has resulted largely from the fact that prices of U. S. imports (largely raw materials) have increased more than the price of U. S. exports. From the last quarter of 1950 to the first quarter of 1951 the unit value of recorded merchandise imports increased 10 percent and the unit value of recorded merchandise exports increased only about 6 percent. The continued increase in foreign holdings of gold and dollar assets is not due to U. S. Government foreign grants and loans (Col. 4 table 9) since there has been a downward trend in this item since the second quarter of 1949--from an annual rate of 6.7 billion dollars to 4.4 billion for the first quarter of 1951.

In the President's message of May 24, an appropriation of 8.5 billion dollars was requested for a "Mutual Security Program" for the fiscal year 1951-52. This new program would supersede the following foreign aid programs operative in the fiscal year 1950-51: The Mutual Defense Assistance Program, the European Recovery Program, and the Point 4 Program but not the Government and Relief in Occupied Areas program for which no appropriation was requested. If this last program is added to the other programs the total of the 4 programs in fiscal 1950-51 would be $8.7 billion. Of this, about $3.4 billion was for foreign economic assistance and the rest was for foreign military assistance. Of the $8.5 billion requested for fiscal 1951-52, $2.25 billion is for foreign economic assistance and the rest is for foreign military assistance.

AGRICULTURAL EXPORTS

In the first quarter of 1951, the total value of agricultural exports was 890 million dollars, the highest since the second quarter of 1949 and about 10 percent above the last quarter of 1950.

In the first 5 months of this year the total value of agricultural exports was 1,664 million dollars--41 percent above the same months of 1950. The index of the quantity of agricultural exports increased 12 percent in the first 4 months of 1951 compared to the first 4 months of 1950 suggesting that about two-thirds of the 41 percent increase in value was due to a rise in the prices of agricultural exports.

In the first 5 months of 1951 exports of cotton and linters totaled 465 million dollars, about 1 percent below the same period in 1950. Although the value of cotton exports was about the same in both periods, the 976 million pounds exported in the first 5 months of 1951 was one-third less than in 1950, the export unit value of cotton and linters being 50 percent above a year ago.

About 140 million pounds of unmanufactured tobacco valued at 83 million dollars, was exported in the first 5 months of 1951. The quantity was down 3 percent while total value was up 30 percent and the export unit value was up 34 percent over the first 5 months of 1950. The rise in unit value was substantially greater than the increase in the average farm price of tobacco. Part of the increase was due to a shift in exports to countries buying higher priced grades of tobacco.

Table 3. - Value of exports of United States agricultural products in specified periods

Period	Cotton including linters	Tobacco unmanufactured	Other agricultural non-foods	Grain and preparations	Other foods	Grand total agricultural
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
1935-39						
Annual average	318	128	29	95	178	748
1947						
Total	427	271	112	1,881	1,266	3,957
1948						
Total	511	215	150	1,715	882	3,473
1949						
1st quarter	252	52	74	434	214	1,026
2nd quarter	272	40	84	385	225	1,006
3rd quarter	103	84	50	343	146	726
4th quarter	247	76	50	299	147	819
Total 1949	874	252	258	1,461	732	3,577
1950						
1st quarter	302	31	60	209	114	716
2nd quarter	297	44	59	182	141	723
3rd quarter	188	80	39	209	117	633
4th quarter	237	95	88	238	144	802
Total 1950	1,024	250	246	838	516	2,874
1951						
1st quarter	253	49	83	343	162	890

Exports of grain and grain products in the first 5 months of 1951 were valued at 658 million dollars, nearly double the value of exports in the same period of 1950. Exports of wheat and flour of 423 million dollars and corn exports of 104 million account for the greatest part of the total.

The value of wheat and flour exports of 423 million dollars in the first 5 months of 1951 was up 97 percent over a year ago, quantity of exports rose 81 percent to 197 million bushels, and the unit value of exports increased about 9 percent.

Corn exports of 104 million dollars in the first 5 months of 1951 were 79 percent above last year, quantity exports of 55 million bushels represented an increase of 45 percent, and the unit value of exports increased 24 percent over the same period in 1950.

OUTPUT AND EMPLOYMENT

Total industrial output in June continued stable at the April-May level. The Federal Reserve Board's index of industrial production in

June, adjusted for seasonal variation, was 222 percent of the 1935-39 average, compared with 199 a year ago.

Operations in the steel industry in early July continue near record levels. However, the index of industrial production probably will decline in July primarily because of vacations not completely accounted for in the seasonal adjustment and the National Production Authority order cutting materials used in passenger cars.

The stability in total industrial output in recent months represents a combination of divergent trends for different industries. Output of nondurable manufactured goods edged downward during the first half of this year from 201 percent of the 1935-39 average to 197 in June. This is one point below May and compares with 184 in June a year ago. Most of the slight drop in nondurable goods output from May to June was due to a decline in textile and paperboard output. The continued rise in output of chemicals and allied products during the first half of this year was not sufficient to offset declines in other nondurable goods industries.

Activity in durable goods industries in June was stable at the May level of 276 percent of the 1935-39 average. This compares with 237 for June a year ago. Output of durable goods increased 10 points from 268 in January to 278 in March and April then eased off to 276 in May and June. Output of most consumer durable goods declined somewhat during the first half of 1951. Cutbacks were substantial for passenger cars, television and radio sets, and some household appliances. Reduced output was probably due primarily to a weakened consumer demand following recent waves of anticipatory buying, and restriction on installment credit. In some instances material shortages also may have restricted output,

Offsetting the slackening in output of consumer durables, expansion occurred over the past six months in defense and defense-supporting industries such as machinery, heavy transportation equipment, shipbuilding, aircraft, and iron and steel. Since March activity in iron and steel mills, machinery, and some other basic industries has eased somewhat.

A further small gain in minerals output in June reflected an increase in output of iron ore and greater production of bituminous coal in anticipation of the July miners' vacation. The gain in mineral output was slight during the first half of 1951.

New orders placed with manufacturers declined from April to May but still exceeded shipments so that order backlogs again increased from April to May. However, the gain of 400 million dollars in unfilled orders was the smallest since the Korean outbreak. Backlogs of durable-goods producers were up 750 million dollars while unfilled orders of nondurable-goods industries declined 300 million dollars.

Unfilled orders of durable-goods industries in May, at 46.9 billion dollars, were more than 4 times total sales reported for May. A drop in new orders placed with durable-goods manufacturers from April to May was somewhat larger than seasonal and was attributable in part to a slackening in demand for consumer durables.

Total book value of business inventories by the end of May rose to 69.9 billion dollars, after adjustment for seasonal variation. Almost all the gain over a month earlier was in manufacturers' inventories, particularly in the durable-goods group. Retail inventories rose only slightly from April to May.

Expenditures on new construction in June totaled 2.7 billion dollars, an increase of 6 percent over May. Almost all types of construction expenditures increased from May to June but the relative gain in private residential construction was considerably less than usual in this period compared to previous postwar years. The increase in expecditures for public construction from May to June represente primarily the seasonal expansion in highway construction.

Total new construction expenditures after seasonal adjustment declined a little from March to June. Preliminary estimates for the second quarter of 1951 indicated an annual rate of expenditures for new construction slightly smaller than in the first quarter.

Although remaining at relatively high levels, expenditures on private residential construction in June were almost one-fourth below those in June 1950. This decline in home building largely accounts for a decrease of about 4 percent in the total of all private construction expenditures as compared with a year ago. Although private industrial, commercial and public utility construction were significantly higher than in June a year ago, the gain did not offset the decline in residential building over this period.

The defense program with accompanying restrictions on construction has changed the pattern of expenditures this year compared with last. During the first 6 months of this year, total expenditures both private and public were 16 percent above the same period a year ago. Physical volume of construction was also larger despite marked increases in cost. Most of the increase over a year ago occurred in industrial construction, military and naval facilities, and commercial construction. On the other hand, the volume of residential building was reduced but the level of total dollar expenditures remained about the same as in January-June 1950.

Nonfarm housing starts in June increased to 130,000 compared with 97,000 in May and 144,300 in June a year ago.

In the first 6 months of 1951, nonfarm housing starts totaled 575,300, about 18 percent below the same period a year ago. but still relatively high compared with previous years.

Total civilian employment continued upward in June as students entered the labor force following the close of the school term. However, the rise from May to June was smaller than usual and total employment was only about 300 thousand above June a year ago. The estimate of 61.8 million for June is about 600 thousand above last month. Nonagricultural employment, estimated at 53.8, was unchanged from May while agricultural employment rose seasonally from 7.4 in May to 8.0 million in June.

Unemployment increased as usual from May to June as students looked for summer work following the close of school. The rise in unemployment from 1.6 to 2.0 million in June was accompanied by no matericl change in the number of adult workers unemployed.

INCOME AND RELATED FACTORS

Personal income payments in May were at a seasonally adjusted annual annual rate of 249.5 billion dollars, up about 0.5 billion from the previous month. Preliminary estimates indicate the annual rate of income payments in the second quarter may total almost 5 billion dollars greater than in the first quarter of this year. On this basis, personal income payments in the first half may average around an annual rate of 246 billion dollars, compared with 233 billion in the second half of 1950.

Total wage and salary receipts declined slightly from April to May as average hourly earnings and average weekly earnings in manufacturing declined slightly. A slight gain in total Government salary payments was more than offset by a small decline in salary and wage payments in private industry. Early indications for the second quarter point to an increase of about 4 billion dollars in wage and salary payments over the first quarter annual rate. Most of the gain during the first half of 1951 occurred in private wages and salaries but Government pay rolls also rose as a result of growth in military forces and expanded employment in connection with the defense program.

The annual rate of personal disposable income indicated for the second quarter totaled about 5 billion dollars larger than the first quarter. Personal taxes were only slightly higher. Larger income and reduced consumer expenditures resulted in more than a doubling of personal savings from the first to the second quarter.

Sales at department stores remained relatively stable during the second quarter of this year. The Federal Reserve Board's seasonally adjusted index of daily average sales for June was 301 percent of the 1935-39 average, the same in May, and 302 in April. These compare with 298 in June a year ago.

Total retail sales after seasonal adjustment declined to 12.0 billion for May from 13.3 billion dollars in January when the second buying wave since the beginning of the Korean conflict was at a peak. Department store sales declined from an index of 362 (1935-39=100) in January to 301 in June. Preliminary estimates for the second quarter indicate that the annual rate of consumer expenditures for goods and services declined by about 5 billion dollars from the first quarter. This dampening in consumer demand was accompanied by a continued rise in inventories at retail stores over the first half of 1950.

Consumer installment indebtedness, at 12.9 billion dollars in May, was virtually unchanged from the previous month. This compares with a rise of about 345 million dollars from April to May last year. Automobile sale credit increased by 43 million dollars while other installment credit declined by 35 million dollars. Noninstallment credit outstanding totaled 6.27 billion dollars in May and was up 53 million from April. All consumer short-term credit outstanding in May totaled 19.2 billion dollars, up very slightly from the previous month. This compares with 17.1 billion in May last year and a high of 20.1 billion dollars last December.

COMMODITY PRICES

The general level of wholesale prices continued the downtrend which began following the peak reached during the week ending March 20, 1951. During the four weeks ending July 24 the BLS weekly index of wholesale prices declined 1.6 percent. The drop was general for all commodity groups, except metals and metal products, which remained unchanged. Most of the decline occurred in farm products, prices of which declined sharply, and textile products. Smaller declines occurred in prices of building materials and fuel and lighting products and chemicals.

In late July wholesale prices averaged about 8 percent higher than a year ago. Over the past year greatest increases occurred in textile products and chemical and allied products. All other groups registered more moderate increases.

The BLS comprehensive index of wholesale prices for all commodities was 181.7 (1926=100) in June, compared with 182.8 in May and 157.3 in June a year ago. A recent peak for this index of 184 was reached last March. Most of the decline since the peak has taken place in wholesale prices of farm products and chemicals. Lower prices for farm products, textiles, building materials, and fuel and lighting products contributed most to the decline from May to June.

Table 4.- Group indexes of wholesale prices, week ending July 24, 1951 with comparisons (1926=100)

Group	Week ended July 24, 1951	Week ended June 26, 1951	Week ended June 27, 1950	Week ended July 25, 1950	Week ended July 24, 1951 percentage change from Week ended June 26, 1951	Week ended June 27, 1950	Week ended July 25, 1950
All commodities	178.0	180.8	157.4	164.6	- 1.6	+ 13.1	+ 8.1
Farm products	188.9	197.5	165.4	177.2	- 4.4	+ 14.2	+ 6.6
Foods	185.1	186.5	162.4	173.2	- .8	+ 14.0	+ 6.9
All other than farm and food	167.8	169.6	149.2	153.1	- 1.1	+ 12.5	+ 9.6
Textile products ..	175.5	178.3	137.3	146.0	- 1.6	+ 27.8	+ 20.2
Fuel and lighting products	137.7	138.7	132.8	133.8	- .7	+ 3.7	+ 2.9
Metals & products .	188.2	188.2	171.9	172.8	0	+ 9.5	+ 8.9
Building materials	224.2	225.3	203.7	209.2	- .5	+ 10.1	+ 7.2
Chemicals and allied products ..	138.2	139.2	114.5	120.2	- .7	+ 20.7	+ 15.0

Bureau of Labor Statistics.

Average prices received by farmers were down for the fifth consecutive month in July. The BAE index of prices received by farmers in mid-July was 294 (1910-14=100) 2.3 percent below June and 6 percent below the peak of 313 reached in February 1951. Prices received for all crops combined in mid-July averaged 4 percent below the previous month reflecting sharp declines in prices of oilseeds, fruit and cotton, and smaller drops in prices of food and feed grains. Truck crops and "other vegetable" were up 8 and 5 percent, respectively, from mid-June.

Average prices received for livestock and livestock products in July were 1 percent below a month earlier. Increases in dairy and poultry products prices were more than offset by lower prices for meat animals and wool.

The index of prices received by farmers in mid-July averaged about 12 percent higher than a year ago. Livestock and livestock product prices were up 16 percent from a year ago and crop prices averaged 7 percent above last year. Greatest increases in prices received by farmers over the 12 months ending mid-July were registered for wool, poultry and eggs, oilseeds, cotton, and dairy products. Smaller price increases were registered for meat animals, tobacco, feed and food grains, and truck crops. Prices received for fruit and "other vegetables" averaged lower in mid-July than a year ago.

Table 5.- Group indexes of prices received by farmers, July 15, 1951, with comparisons

(1910-14=100)

Group	July 15, 1951	June 15, 1951	July 15, 1950	July 15, 1951 percentage change from June 15, 1951	July 15, 1951 percentage change from July 15, 1950
Food grains	236	240	226	- 2	+ 4
Food grains and hay	213	217	195	- 2	+ 9
Cotton	329	353	278	- 7	+18
Tobacco	438	438	387	0	+13
Oil-bearing crops	317	358	267	-11	+19
Fruit	175	200	211	-12	-17
Truck crops	204	189	200	+ 8	+ 2
Other vegetables	181	172	186	+ 5	- 3
All crops	252	263	236	- 4	+ 7
Meat animals	414	422	371	- 2	+12
Dairy products	272	269	232	+ 1	+17
Poultry and eggs	222	217	173	+ 2	+28
Wool	486	567	321	-14	+51
Livestock and products	332	335	287	- 1	+16
Crops and livestock and products	294	301	263	- 2	+12

The BAE index of prices paid by farmers, including interest, taxes and wage rates continue at the revised mid-June level of 282 (1910-14=100). Prices paid for commodities used in production were off fractionally as a result of slightly lower prices for feeds and feeder livestock, but prices prid for commodities used for family maintenance were steady.

The decline in prices received by farmers from mid-June resulted in a further decline in the parity ratio to 104 compared to 107 last month and 103 in mid-July a year ago.

The BLS consumers' price index for moderate-income families in June was 185.2 (1935-39=100), fractionally below May. The drop, although very slight, was the first since February 1950. Prices paid for food, household furnishings and items included in the miscellaneous group in June were fractionally below the previous month. Rents continued to rise, while clothing and feul and electricity were steady at the May levels.

FARM INCOME

Farmers received 15.4 billion dollars from marketings in the first 7 months of 1951, 17 percent more than in the same period last year. This increase reflecting higher average prices, was not entirely a net gain for farmers, however, as farm cost rates rose 12 percent on the average during this period.

Receipts from livestock and livestock products were about 10.7 billion dollars, 25 percent more than a year ago, with average prices showing about the same percentage gain. All major livestock groups were up substantially. Crop receipts for the first 7 months were 4.7 billion dollars, about the same as last year. Higher average prices were offset by a smaller volume of crop marketings.

Cash receipts in July totaled about 2.6 billion dollars, 20 percent more than in June largely because of larger marketings and 11 percent above July 1950, mostly because of higher prices. Receipts from livestock and livestock products were about 1.5 billion dollars, slightly below June but 15 percent above a year ago. Receipts from meat animals were probably about the same as the month before, but dairy products and poultry were lower because of a seasonal decline in marketings. All major livestock groups were substantially above last July.

Crop receipts in July were around 1.1 billion dollars, 80 percent more than in June and 6 percent above July of last year. Most of the principal crops were up seasonally, with a larger volume selling for slightly lower average prices than in June. Receipts for most crops were above July 1950 because of higher average prices.

LIVESTOCK AND MEAT

Generally good pastures and ranges and the big supply of feed garins in prospect promise continued expansion in livestock production. Hog producers are likely to carry out their plans for a somewhat larger pig crop this fall than last and cattle numbers will probably be increased by about 5 1/2 to 6 million head by the end of the year.

The efforts of cattle and sheep producers to build up herds means that total meat production for 1951 will show a smaller gain over 1950 than will livestock production on farms. Despite more cattle on feed and a larger total number of cattle and calves on farms at the beginning of this year than last, commercial cattle slaughter in the first half of 1951 was down 9 percent and commercial calf slaughter 18 percent from a year earlier. These reductions resulted from a greater tendency this year for cattlemen to retain more young stock for breeding or feeding, a similiar tendency in recent months to retain older breeding stock, and some delay in marketing due to the uncertainty as to prices.

During the second half of 1951, cattle slaughter may nearly equal that of a year earlier. Calf slaughter probably will remain below last year but by a smaller percentage than in the first half. Slaughter of sheep and lambs has been considerably smaller than last year and will continue smaller, Inventory numbers of sheep and lambs are at a low level and are being built up.

In contrast to the smaller cattle slaughter, commercial hog slaughter in the first half of 1951 was 9 percent above 1950, or about in line with the larger pig crops last year. Since the 1951 spring pig crop was up 7 percent from a year earlier, slaughter in late summer and fall is expected to be 5 to 10 percent larger than it was in the same period of 1950. Prospects for an increase in the fall pig crop indicate further expansion of hog slaughter through the summer of 1952.

Prices of barrows and gilts rose in June but were nearly steady in July chiefly because price ceilings on pork tended to prevent a further rise. Ceilings as now established will probably hold barrow and gilt prices comparatively stable for some time, and probably thus delay the beginning of a seasonal decline until about October.

With a seasonal increase expected in cattle slaughter, cattle prices may show less strength than recently. Prices of some grades may at times drop below their ceilings. However, because of the supporting effect of defense programs on the demand for meat, no material weakness in cattle prices is expected.

DAIRY PRODUCTS

Wholesale prices for butter and cheese declined moderately in early July but prices for other manufactured dairy products continued sessentially unchanged. In mid-July, wholesale prices for butter and cheese were approximately equivalent to support prices for manufacturing milk but none was being offered for sale to the Government. However, comparatively small quantities of nonfat dry milk are being purchased under the support program.

In July, farmers received $4.30 per 100 pounds for milk and 68.8 cents per pound for butterfat. The July price for milk, seasonally adjusted, was 96 percent of parity. The butterfat price was also 96 percent of parity. Since both were still below parity, fixed ceiling prices for dairy products were not imposed.

Dairy product-feed price relationships recently have become more favorable for milk production. In July, the milk-feed price ratio was 1.23 compared to 1.10 a year earlier and the 20-year average for the month of 1.17. The butterfat-feed price ratio also was more favorable than last year, but about equal to average for the month. Dairy prices have increased less in the past year than average prices for all farm products and continue low relative to prices for meat animals, especially beef cattle.

Aided by excellent pasture conditions, farmers produced slightly more milk in May and June than a year earlier. For 1951 as a whole, milk production probably will be in the neighborhood of 120 billion pounds, compared with 120.6 billion pounds in 1950.

A larger portion of current milk flow continues to move into fluid outlets. The quantity used in manufacturing during the first 5 months of 1951 was about 8 percent smaller than a year earlier. Butter accounted for most of the decline, as cheese output was only 6 percent smaller and production of evaporated milk and dry whole milk and ice cream was larger.

Consumption of dairy products per capita, milk equivalent basis, will be a little less this year than in 1950. Butter consumption is accounting for most of the decline, and may fall below 10 pounds per person for the first time on record.

Consumption of fluid milk and ice cream is running slightly larger than in 1950. Retail prices of dairy products have been relatively unchanged in recent months. Consumption of margarine, is running above last year. Production in January-May was up 13 percent from the same period of 1950. The costs of the ingredients of margarine recently declined substantially.

POULTRY AND EGGS

Although egg production is declining seasonally, output is running higher than a year earlier. A three percent gain over a year ago in the July 1 rate of lay per bird more than made up for the slightly smaller number of layers on farms.

Despite larger supplies, strong demand is holding egg prices above a year earlier, when they were at the lowest summer-time levels since the war ended. The outlook is for further seasonal increases.

The main hatching season for farm laying flock replacement is completed. The number of young chickens raised on farms is estimated at 702,676 thousand -- an increase of 5 percent over the number raised in 1950, but 10 percent less than the 1940-49 average. The laying flock replacement hatch occurred relatively late this year. Therefore, it is likely that eggs produced by pullets will not be marketed in large volume until fairly late in the fall.

Poultry prices over the last few months have held fairly steady. Chickens, at 27.0 cents per pound in mid-July, were 0.3 cents under the average received by farmers in the month before. Turkeys, at 35.3 cents per pound, compared with 35.8 the month before. Supplies of both are increasing seasonally, and are likely to reach new peaks.

FATS, OILS AND OILSEEDS

Prices of most fats and oils continued downward in July, reflecting ample supplies in relation to demand. Prices of cottonseed, soybean, peanut and corn oils averaged about 30 to 40 percent below their February levels. Domestic disappearance of these four oils in October 1950-May 1951 totaled 2,390 million pounds, 60 million less than in the comparable period a year earlier, but disappearance in February-May 1951 was 137 million less than the year before. Prices of soap fats and drying oils also were considerably below their June average. In late July, inedible tallow (prime, Chicago) was selling for about 8 cents per pound compared with an average of 12.8 cents in June and 17.5 cents in February 1951. The ceiling price for this grade of inedible tallow is 14.8 cents per pound. Linseed oil (raw, Minneapolis) in the latter part of July sold for about 14 cents per pound compared with an average of 18.2 cents in June and 22.4 cents in March-April 1951, the peak since July 1948.

Butter prices declined to the support level in July, perhaps reflecting in part the general downward price movement of both the oils used in margarine and margarine itself. Domestic disappearance of margarine in 1951 is likely to be substantially higher than the year before and this may moderate the seasonal upward movement of butter prices in the second half of 1951. Lard was the only major fat which did not decline in price in July. However, lard prices are almost 20 percent below February 1951.

The index number of wholesale prices of the 26 major fats and oils, excluding butter, in July was about 180 percent of the 1935-39 average compared with 202 in June, 251 in February, the peak since the outbreak of hostilities in Korea, and 165 in July, 1950.

Production of the primary food fats and oils, excluding butter but including the oil equivalent of soybeans and peanuts exported for crushing, is likely to be somewhat greater in the second half of 1951 than in the comparable period a year earlier. This reflects increases in the 1950-51 pig crops, and the prospective increase in new crop oilseeds. Domestic disappearance of food fats, on the other hand, is likely to be less than the year before. In the second half of 1950 disappearance of all fats and oils, except butter, into food distribution channels, totaled 19.6 pounds per person, 2.3 pounds more than a year earlier and far above the level in recent years. Unless exports in July-December 1951 are materially greater than the year before, stocks of edible fats and oils except butter at the end of 1951 will be greater than the 607 million pounds on the comparable date a year earlier. Prices of most edible vegetable oils in the fall and winter of 1951-52 are likely to average lower than in the comparable period a year earlier.

A record output of edible vegetable oils (including the oil equivalent of soybeans and peanuts exported for crushing) in the year beginning October 1. 1951 is likely on the basis of reports as of July 1. The acreage of cotton in cultivation was up 58 percent from 1950 but the soybean and peanut crops may be down slightly. Planted acreage of cotton, soybeans and peanuts in 1951 totaled 46.7 million, 10.6 million more than in 1950 and the most since 1930. Output of flaxseed in 1951 is estimated at 38.0 million bushels compared with 39.3 million in 1950.

Output of lard in 1951-52 is likely to be larger than the year before. The 1951 spring pig crop is 7 percent greater than last year and farmers' intentions on June 1, 1951 indicated a 1951 fall pig crop up 3 percent from last year. These crops will provide hogs for slaughter through the first 8 or 9 months of 1952. The July 1 crop report indicates that feed supplies will be sufficient to provide for a heavy rate of livestock feeding in 1951-52.

Production of butter in 1951-52 may continue downward reflecting mainly a diversion of milk to whole milk products.

CORN AND OTHER FEED

Generally favorable growing conditions for feed crops through early July indicate a large supply of feed again in the 1951-52 feeding season. The prospective supply of all feed concentrates, including grains and by-product feeds, is expected to about equal the big supplies of about 183 million tons in each of the past 2 years. The prospective production of feed grains indicated in July is slightly larger than the 1950 production, and the prospective total supply about the same as last year. But with the strong demand for all feeds in prospect, the total quantity fed to livestock probably will be the heaviest since the record high of World War II. Some further withdrawal from reserve stocks is expected in 1951-52, and carry-over stocks at the end of the year probably will be reduced from the high level of the past 2 or 3 years.

A corn supply of little over 4.0 billion bushels is in prospect. A crop of 3.3 billion bushels was indicated July 1, and the carry-over next October 1 probably will total about 735 million bushels. While supplies of oats and barley will be above the prewar average, they are expected to be smaller than in 1950.

Prices of most feeds in July averaged close to the June levels. Prices received by farmers for feed grains in July averaged about 10 percent higher than a year earlier. Prices of oats and barley remained a little above the supports on the 1951 crops, while the average price for sorghum grains was slightly below. Prices of feed grains probably will average a little higher in 1951-52 than in 1950-51, reflecting stronger demand and higher price supports. Prices of many of the high-protein feeds were lower in July than a year earlier. Cottonseed meal prices at Memphis declined below soybean meal at Chicago for the first time in recent months.

Domestic disappearance of corn, oats, and barley during April-June was slightly larger than in that quarter of 1950, and above the average of the past 5 years. Exports during 1950-51 are expected to exceed 6 million tons, the highest in recent years. Stocks of corn on July 1 totaled 1,270 million bushels about 150 bushels smaller than a year ago. Large stocks of oats and barley were carried over on July 1.

A record hay supply of about 129 million tons is in prospect for 1951-52, which would provide ample hay for the prospective number of livestock on farms. In July pastures were unusually good over most of the country.

FRUIT

Prices that growers will receive for deciduous fruits in August and September probably will be about at 1950 levels. Supplies of most fruits will be larger than in these months of 1950, but demand is stronger. Prices this summer are expected to decline less than seasonally because of anticipated strong demand for fruit for processing.

The 1951 crop of 8 major deciduous fruits -- apricots, apples, cherries, grapes, peaches, pears, plums, and prunes -- was estimated as of July 1 to be about 11 percent larger than the 1950 crop and about 8 percent larger than the 1940-49 average. The peach, plum, prune, and grape crops are each much larger than the respective 1950 crops: the apple, pear, and sour cherry crops are about the same as in 1950; while the apricot and sweet cherry crops are considerably smaller. Larger crops of walnuts, almonds, and filberts are also expected.

With packers' stocks of most canned deciduous fruits and pineapple considerably lower on June 1, 1951 than a year earlier and with stronger demand, grower prices for fruit for canning are expected to be about as high as in the summer lf 1950. Some increase over the large 1950 pack of canned fruits seems likely. The larger prune and grape crops should result in a larger pack of dried fruits in 1951. Production of frozen fruits and fruit juices in 1951 may exceed the record 1950 pack. In Florida, the pack of frozen orange concentrate is about one-third larger than the 1950 pack, and total output of canned citrus juices is about one-fourth larger.

Supplies of fresh oranges in August and September, mostly California Valencias, are expected to continue larger than in these months of 1950, while those of grapefruit probably will be about the same. Grower prices may average a little below these of the summer of 1950. Fresh citrus this summer will face the competition of increases supplies of frozen and canned citrus juices at lower prices and larger supplies of fresh deciduous fruits.

WHEAT

Current wheat prices are slightly below the effective price support level. On July 25 the price of No. 2 Hard Winter Wheat at Kansas City was $2.27, which was about 6 cents below the loan level of $2.44 less a storage deduction of 11 cents. This price is about at the low for the season to date. The previous low was reached on July 9, after a decline that began in early May. Following the early July low, market prices showed some firming, reflecting heavy rains in the winter wheat belt which interfered with combining and reduced marketings. The recent decline in prices is associated with the improved flow of wheat to terminals. In 1950 the low of $2.09 for No. 2 Hard Winter at Kansas City was reached on June 24. This was 16 cents under the $2.25 loan level, with no deduction for storage.

The price of No. 1 Dark Northern Spring Wheat at Minneapolis on July 25 was $2.28 or 8 cents below the loan of $2.46 less 10 cents for storage. The fact that prices were below the loan even before the heavy movement of spring wheat reflects the very large spring crop in prospect. Prices of both winter and spring wheat have strengthened slightly since July 25.

With prices below the support level, a large quantity of wheat may be expected to go into storage and under the loan program. This will be an important factor in minimizing further price declines during the period of heavy marketings.

Total wheat supplies for the marketing year beginning July 1, 1951 are now estimated at about 1,505 million bushels, consisting of a crop of 1,070 million bushels (indicated on July 1) and probable imports of feeding quality wheat of about 40 million bushels, in addition to the carry-over of 395 million bushels. Supplies of this size have been exceeded in only three years.

Domestic disappearance in 1951-52 may total about 755 million bushels, which would leave about 750 million for exports and carry-over. If exports total about the same as the 364 million bushels estimated for 1950-51, about 385 million would remain for carry-over July 1, 1952. This is about the same as the carry-over July 1, 1951, but above the 334 million-bushels 1941-50 average. The final size of exports in 1951-52 will depend upon the way the crops turn out in both exporting and importing countries, the size of United States foreign aid programs and the extent of any stock piling in importing countries.

A national wheat goal of 78,850,000 acres was announced on July 13. This is a little above the big acreage seeded for the 1951 harvest. With average yields, the 1952 goal acreage would result in a crop of about 1,165 million bushels of wheat, about 100 million above this year's estimated production. A crop of this size would meet all anticipated requirements, both domestic and export, and would provide for some increase in reserves at the end of the marketing year.

COMMERCIAL TRUCK CROPS

For Fresh Market

With employment and income at higher levels demand for fresh vegetables will be stronger this summer than last. Aggregate commercial production for the summer fresh market is expected to total about the same as in 1950. Of the major vegetable crops, this summer's production is estimated to be substantially larger than a year earlier, and prices may be moderately lower, for tomatoes, sweet corn and snap beans. The reverse, however, is expected for lettuce, cabbage and cantaloups.

Total commercial production estimated through the first three-quarters of 1951 is about 7 percent below that of 1950, but 9 percent above average.

For Processing

The combined production of major truck crops grown for commercial processing will be about in line with the increased level represented by the acreage suggested last February by the Department, if weather conditions continue reasonably favorable. With the same assumption, individual processing crop-production levels suggested will be reached or exceeded for lima beans,

green and wax beans, cabbage, cucumbers, green peas and spinach. The sweet corn crop for processing, however, may be moderately below the suggested level unless yields are unusually high. The increased acreages involved in the increased production levels were obtained primarily by substantially higher prices offered farmers this year.

About 8 percent of the canned vegetable pack this year is to be set aside for expanded military requirements, but in general enough will remain to supply an increased civilian demand. Retail prices of canned and frozen vegetables of the 1951 pack are expected to be generally higher than those for the 1950 pack.

POTATOES AND SWEETPOTATOES

Prices received by farmers for 1951 crop potatoes may average somewhat higher than those received for the 1950 crop, if the 1951 crop turns out as indicated by July 1 prospects. The indicated crop of 356 million bushels is 84 million below the 1950 crop out of which about 100 million bushels were purchased for price support.

This is the first year since 1942 that potatoes have not had a mandatory price support program. The absence of price-support and the low prices received for the 1950 crop (the lowest since 1941) undoubtedly were important factors in causing farmers to reduce acreage planted this year by 18 percent from that planted in 1950.

Marketing orders and agreements will be in effect on the 1951 crop in some important areas, particularly the heavier-producing surplus Late States in the West, to help farmers control the grade and size of potatoes put on the market. Farmers and dealers alike expect to do a more thorough merchandising job on potatoes this year.

A crop of only about 40 million bushels of sweetpotatoes is now in prospect for 1951, because farmers reduced acreage drastically in favor of other crops, particularly cotton and tobacco. With the increased level of demand for food this year, and the much smaller crop, prices received by farmers for sweetpotatoes should average substantially higher than those received for the 1950 crop.

DRY BEANS AND PEAS

The July 1 prospect for a crop of dry edible beans about 6 percent smaller than the 1950 crop indicates that farmers can expect somewhat higher prices this year. Military needs are larger than in 1950, and civilian demand is at least as strong. Progress is being made in reducing the very large stocks, most of which are held by the Government, toward a more normal level.

Of the several major types of dry beans, Standard Lima beans probably will be in shortest supply relative to demand, with prices correspondingly higher.

The prospective dry field pea crop of 3.6 million bags (100 pounds each, uncleaned basis) is somewhat larger than necessary to meet anticipated demands at 1950-crop prices. During World War II and in the first few postwar years, demand for dry peas for military use and for relief feeding abroad expanded the total demand tremendously. In normal times, however, a civilian consumption of about six-tenths of one pound per capita accounts for the food use. More of the crop is used for seed to plant the dry pea acreage and the acreage harvested green for fresh market and for canning and freezing than is used for food.

The prospective 1951 dry pea crop is only about one-third of the record large crop of 10.9 million bags grown in 1943, but at the same time, it is larger than any crop grown prior to 1941.

COTTON

In July, for the first time since March 3, when specific ceilings were imposed, prices quoted for spot cotton in the ten markets dropped considerably below the ceiling prices. Among the factors causing the drop were trade anticipation of a large crop, sharp declines in textile prices, and peace talks in Korea. On July 2 the average ten spot market price for Middling 15/16 inch cotton was 45.20 cents per pound. By August 1, this average price had dropped to 35.68 cents.

The prices of future contracts also continued to decline. December futures contracts at New York dropped from 36.05 cents on July 2 to 34.25 cents on August 1.

The farm price stood at 39.11 cents per pound on July 15. The parity price on July 15 was 33.85 cents per pound. The farm price, at 116 percent of the parity price, was closer to parity than in any month since July,1950.

On July 27, the CCC loan rate for the 1951-52 season was announced. The rate for Middling 15/16 inch at average location is 31.71 cents per pound, and compared with 29.61 cents per pound in the 1950-51 season.

Linters prices dropped sharply from late May to late July. On May 29 the prices for Grades 2 and 4 at Memphis were 22.25-25.50 and 17.50-18.50 cents per pound, respectively. By July 24 these prices had dropped to 13.50-16.00 and 10.50-11.00 cents, respectively.

Production of rayon during the first quarter of 1951 in the United States was 326.2 million pounds. This was 6.7 percent above the same quarter of 1950, but slightly less than output during the fourth quarter of that year. The rayon industry is expected to continue its expansion during the coming year and production of rayon during 1951 will probably be larger than the record 1950 output.

In 1950, the world production of rayon was 25 percent above 1941, the previous record year. It was equivalent to 8.2 million bales of cotton. Of the total world production, 36 percent was produced in the United States.

WOOL

Wool auctions in the British Dominions closed for the season late in June. The opening auctions of the 1951-52 season are scheduled for early September in Australia and South Africa. Auctions have been scheduled for mid-August in New Zealand to sell the stocks of New Zealand wool which accumulated as a result of the suspension of auctions in that country due to the dockworkers' strike.

Prices of wool at the closing auctions were 20 to 30 percent higher, depending on grade, staple, etc., than at the close of the 1949-50 season, but were 15 to 25 percent lower than the opening prices of the 1950-51 season and 45 to 55 percent lower than the peak levels reached in March of this year.

Prices of foreign wools at Boston remained unchanged during most of July. Australian 64s, 70s good topmaking wool was quoted at $2.45 per pound, clean basis (American yield), in bond at Boston for the weeks ending June 29 and July 20. Prices of domestic wools, however, continued to decline. Territory fine staple wool was quoted at $2.60 per pound, clean basis, for the week ending July 20 compared with $2.80 for the week ending June 29.

Prices received by domestic growers for shorn wool averaged 86.5 cents per pound, grease basis, at mid-July. This was 14.5 cents less than the average price received at mid-June and compared with the average of 58.6 cents received at mid-July of last year.

Woolen and worsted mills in the United States consumed 141 million pounds, scoured basis, of apparel wool during the first 4 months of this year. The average weekly rate of consumption during that period was about 4 percent below that for the same months of last year. During January-April, domestic mills also consumed 56 million pounds, scoured basis, of carpet wool. The average weekly rate of consumption of such wool was about 23 percent below that for the corresponding period of last year.

TOBACCO

Georgia and Florida auction markets for the 1951 crop of type 14 flue-cured tobacco opened on July 19 with prices averaging 51 cents per pound for sales through July 31. This was practically the same as during the first 2 weeks of auction sales in 1950. However, for the last season as a whole, the average price for type 14 was 48.3 cents per pound. Opening dates for auctions of the other flue-cured types (11-13) are from late July into September.

The July indication was for a total flue-cured crop of 1,430 million pounds--up nearly 14 percent from last year's harvesting and a record high. Last year in contrast to the other flue-cured types, the type 14 production fell off because of smaller yields per acre; but this year's indicated yields of type 14 are up substantially and the type 14 crop may turn out one-third larger than in 1950. The 1951 price support level for flue-cured is about one-eighth higher than in 1950, mostly as the result of the rise in the parity index during the past year. Demand is expected to continue strong because of large domestic and export requirements.

The auctioning of last year's Maryland crop is still in progress and the average price for sales through the end of July was about 49.7 cents per pound. The season average for the 1949 crop was 48.3 cents per pound. The indicated size of the 1951 crop as of July 1 was between 44 and 45 million pounds compared with 40 million estimated for 1950. The prospective 1951-52 supply of Maryland tobacco is above that of any previous year.

The 1951 crop of Burley may be almost one-fifth larger than the 1950 crop. This increase will be more than enough to offset the decline in stocks from last year.

Cigarette tobacco will continue in strong demand. The tax-paid cigarette consumption during the year ending June 30 was a record 370 billion--4 percent above that of 1949-50.

In the 1951 fiscal year, output of smoking and chewing tobacco dropped off a little from the preceding year but snuff held about even. However, both total chewing tobacco and snuff in the last half of the 1951 fiscal year were running ahead of the same period a year earlier. These latter 2 products are major domestic outlets for dark air-cured and fire-cured tobacco. According to July indications, the 1951 fire-cured and dark air-cured crops will be about 7 and 16 percent larger, respectively, than last year's.

Cigar consumption during fiscal 1951 was nearly 5-3/4 billion--approximately 4 percent above that of a year earlier.

The July 1 indications were for about a 4 percent smaller crop of Pennsylvania filler (type 41) and a 13 percent smaller production of filler and binder (type 42-44 and 51-55 combined) than in 1950. The latter combined group is being produced under acreage allotments and marketing quotas for the first time this year. The indicated shade-grown wrapper (types 61-62) crops are about equal to last year's.

Exports of United States tobacco in the 1952 fiscal year are expected to be larger than in the 1951 fiscal year just ended. Larger supplies will be available, and stocks of United States tobacco abroad are low relative to consumption. The inprovement in the dollar position in a number of foreign countries in the past year will also be a factor which should be favorable to United States tobacco exports. Exports in the 11 months ending May 31 totaled 449 million pounds (export weight) compared with 458 million pounds in the same period a year earlier.

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